

Laurence Green
Radiocommunications Agency
11B/20C Wyndham House
189 Marsh Wall
LONDON E14 9SX

10th May 2002

Dear Mr. Green,

I write in response to Professor Martin Cave's Review of Spectrum Management. GWR Group is the UK's leading commercial radio company, with a larger audience than any other radio group. We own Classic FM and 31 local licences in the UK, and hold 63% of the national digital radio multiplex company Digital One. We also operate the digital radio channels Core, Planet Rock, and Storm.

Following this week's publication of the draft Communications Bill, an apparent contradiction has emerged between the underlying principle of that Bill and the conditions which would result from the systems of spectrum management suggested by Professor Cave.

The draft Communications Bill proposes the deregulation of media companies in order to bring about benefits for both consumers and owners. These include greater choice as service overlaps are reduced, and additional investment in programmes and networks. In parallel with deregulation in ownership, content regulation is proposed which would minimise any negative effects in plurality or diversity which might result from ownership concentration.

The system envisaged in Professor Cave's document, on the other hand, implies a removal of content controls in return for payments made for spectrum. In the draft Communications Bill, the public good is served by broadcasters providing a public service within defined content parameters. However, in Professor Cave's review making a payment for spectrum means that the public good is satisfied by that payment and content regulation could not be implemented. This tension – where content regulation is required to underpin the Communications Bill but negated by introducing spectrum payments – seems to GWR Group to be impossible to resolve.

I am aware that our industry association, the Commercial Radio Companies Association, has submitted a detailed response to Professor Cave's analysis. GWR Group supports the CRCA submission. Their response identifies that the Review is flawed in two major areas:

- In assuming that there are no externalities to the use of spectrum, when clearly there are;
- In assuming that the market for spectrum is not segmented, when clearly it is highly segmented.

The inadequate consideration of these factors in the Review seriously undermines the Review's contention that creating a market in spectrum would reveal the true opportunity cost of spectrum to users such as commercial radio companies, and that these opportunity costs would cause us to use spectrum more efficiently. As a one-to-many user of spectrum, commercial radio produces a great deal of public benefit at no cost to the public, and we do not have the flexibility to vary our use of spectrum as this is decided for us by the regulator. We are concerned that, despite the Review's statements to the contrary, the benefits to the Exchequer of spectrum auctions are the driving force behind this Review.

GWR Group supports the objective of making spectrum use more efficient. Spectrum is the land on which we farm listeners before they are bought by advertisers, and a fair distribution is essential. We cannot see how this efficiency objective can be achieved by the proposals in Professor Cave's study, and would urge a comprehensive review and further consultation before any of the recommendations are implemented.

Yours sincerely

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